

Agreement and Committee on Trade in Financial Services

Status

Negotiations in the financial services sector (banking, securities, insurance, and other financial services), extending beyond the end of the Uruguay Round, were successfully concluded in December 1997 under U.S. leadership. Of the 70 WTO Members that made improved commitments in financial services during these negotiations, 53 countries met the original deadline of January 29, 1999 for completing domestic ratification procedures and notifying their acceptance of the 1997 Agreement – the Fifth Protocol to the GATS. Another 7 Members have completed these procedures since then, meaning that the number of countries whose 1997 commitments have entered into force stands at 60.

Assessment of the First Five Years of Operation

The WTO Financial Services Agreement, which entered into force in March 1999, represents an impressive package of commitments that stands on its own merits as a major success for the United States and the world trading system. The final agreement includes commitments that cover an overwhelming share of global trade from 102 countries, with new and improved from 70 countries from both the developed and developing world. Already 60 of those 70 countries have ratified their commitments. Financial services is one of the fastest growing areas of the world economy, and its liberalization has tremendous significance for a number of other related sectors, including electronic commerce. Financial services also is one of the United States' most competitive industries and is a major contributor to growth in U.S. domestic employment.

The 1997 Financial Services Agreement has served as a key first step in opening world financial services markets to U.S. suppliers of insurance, banking, securities and financial data services. The Agreement extends to the most important international financial services markets, encompassing \$38 trillion in global domestic bank lending, \$19.5 trillion in global securities trading, and \$2.1 trillion in worldwide insurance premiums. This Agreement has opened world financial services markets to an unprecedented degree. Fifty-two countries guaranteed broad market access terms across all insurance sectors – encompassing life, non-life, reinsurance, brokerage and auxiliary services. Another fourteen countries committed to open critical sub-sectors of their insurance markets of particular interest to U.S. industry. Fifty-nine countries committed to permit 100 percent foreign ownership of subsidiaries or branches in banking. And forty-four countries guaranteed to allow 100 percent foreign ownership of subsidiaries or branches in the securities sector.

The Agreement also is fostering the development of financial markets, especially in emerging markets and developing countries, by helping to lay the foundation for sustained growth. Many countries had begun to process of financial services liberalization but had hesitated to lock in those measures. The 1997 Agreement “binds” these improvements under the GATS system which contributes to the overall stability of economic and trade regimes and results in further economic growth. The Agreement will provide an extremely effective launching pad for further negotiation on a wide range of financial services issues in “GATS 2000.

The Committee on Financial Services has been instrumental in overseeing post-Uruguay Round negotiations on financial services that culminated in the December 1997 Agreement. The Committee also has been a useful venue to discuss and reach agreement on issues related to ratification and acceptance of Members' commitments under the Fifth Protocol. Finally, the Committee also has held initial discussions on various technical issues as they affect financial services which could prove useful in the GATS 2000 negotiations.

Major Issues in 1999

The United States worked intensively through bilateral channels and in the WTO to ensure that the 10 remaining countries that have not accepted the Fifth Protocol ratify their commitments and accept the Protocol as quickly as possible. The Committee on Trade in Financial Services (CTFS) held three formal meetings in 1999 that to a large extent focused on this issue. At the request of several Members, the Chairperson sent letters to those countries that had not yet accepted the Fifth Protocol requesting information on the status of their ratification efforts. In a related development, the GATS Council agreed on February 15, 1999 to renew the standstill commitment made by participants in the 1997 negotiations not to take any measures inconsistent with their services schedules annexed to the Fifth Protocol.

Work for 2000

The United States will continue to work through bilateral means and in the WTO to ensure that the 10 countries that have not accepted the Fifth Protocol do so as quickly as possible. The 10 countries generally have reported that they intend to ratify their commitments under the Protocol and are working to ensure passage of necessary legislation. The WTO Members will have to decide on a case-by-case basis how to open the window for Fifth Protocol acceptance. The United States also will be an active participant in other work of the Committee, including recommendations concerning the financial services component of issues explored as part of the new services negotiations.